

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 98-006-G - ORDER NO. 98-835

OCTOBER 28, 1998

IN RE:	Annual Review of Purchased Gas)	ORDER APPROVING	✓ MR
	Adjustment and Gas Purchasing)	COST OF GAS AND	
	Policies of South Carolina)	ENVIRONMENTAL	
	Electric & Gas Company)	CLEAN-UP COSTS	

This matter comes before the Public Service Commission of South Carolina (the Commission) for the Annual Review of the Purchased Gas Adjustment (PGA) and the Gas Purchasing Policies of South Carolina Electric & Gas Company (SCE&G or the Company). In addition, pursuant to Order No. 94-1117, dated October 27, 1994, in Docket No. 94-008-G, the Commission considered the collection of environmental clean-up costs for the period under review.

By letter, the Commission's Executive Director instructed the Company to publish a prepared notice concerning the Annual Review of the PGA and the Gas Purchasing Policies, one time, in a newspaper of general circulation in the area affected by the review. The Notice indicated the nature of the review and advised all interested parties of the manner and time in which to file appropriate pleadings for participation in the proceeding. The Company was instructed to directly notify all of its customers affected by the review of the PGA. The Company submitted affidavits indicating that it had complied with these instructions. A Petition to Intervene was filed by the Consumer Advocate for the State of South Carolina (the Consumer Advocate).

A hearing on the Annual Review was held on October 15, 1998, at 10:30 a.m. with the Honorable Philip T. Bradley, Chairman, presiding. SCE&G was represented by Catherine D. Taylor, Esquire. The Consumer Advocate was represented by Elliott F. Elam, Jr., Esquire; and the Commission Staff was represented by F. David Butler, General Counsel. At the hearing, the Company presented the testimony of Asbury H. Gibbes and George How. The Commission Staff presented the testimony of Brent Sires and D. Joe Maready.

We will rule on the base cost of gas and environmental collection factor issues in this Order. All other issues will be held in abeyance until further Order of this Commission.

Asbury H. Gibbes, Group Executive, SCANA Corporation Gas Group, presented testimony explaining the gas purchasing policies of SCE&G and the importance of the Industrial Sales Program (ISP). Gibbes further testified regarding the Company's recovery of costs related to the environmental liability resulting from the clean-up of dismantled manufactured gas properties (MGP).

Gibbes noted that in Order 96-740, the Commission found that the Company's payment of \$26,000,000 to the City of Charleston for settlement of claims related to the Calhoun Park Site contamination was prudent and should be collected through the MGP-ECC. In that Order, the Company was instructed to diligently pursue outstanding insurance settlements. Gibbes reported that the Company had obtained net insurance settlements in the amount of \$12,388,698. Additionally, Gibbes stated that the Company

has continued to diligently pursue settlements and has recovered environmental clean-up costs and believes that this amount represents virtually all of the insurance proceeds that the Company will receive. The Company requests the continuation of the environmental collection factor of \$.011 or 1.1 cents per therm, as previously approved by this Commission.

George C. How testified and provided cost of gas data for the period September 1997 through August 1998, the historical period under review in this proceeding. He also provided computations for the projected cost of gas per therm for the period November 1998 through October 1999, and further recommended a cost of gas component to be included in the Company's firm published tariffs beginning with the first billing cycle for November 1998. Mr. How recommended a PGA of \$0.48182 per therm, which is identical to the present base cost of gas approved in Order No. 97-920, dated November 24, 1997.

Mr. How also presented testimony regarding the Company's method of recovery for Manufactured Gas Plant-Environmental Clean-Up Costs (MGP-ECC). How provided discussion on the MGP-ECC factor on a per therm basis for the period November 1998 through October 1999. This calculated figure amounted to \$.011 per therm, which is the amount previously approved by this Commission in Order No. 97-920, dated November 24, 1997. How testified that the Company is seeking recovery of a remaining balance of \$21,785,539. This figure represents the sum of the original 1994 estimate of liability of \$19,300,000, plus the amount of \$26,000,000 for the Charleston settlement (approved as prudent in Commission Order No. 96-740), less the accumulated

amortization through July 31, 1998 of \$11,125,763, and net insurance settlement proceeds of \$12,388,698. The recommended ECC recovery factor was calculated to recover the balance. How then recommended that the MGP-ECC factor remain at \$.011 per therm as currently approved.

How testified that the Company's currently approved rate for the cost of gas is 48.182 cents per therm. How testified that the Company over-collected \$3,722,019 as of July 1998. How noted that the balance at October 31, 1998, is forecasted to be an under-collection of \$603,106.

How also testified about the Company's projected gas cost for the period November 1998 through October 1999. How then went on to recommend that the Commission approve a rate of 48.182 cents per therm in the Company's firm rate tariffs, which is identical to the present approved rate.

The Commission Staff presented the testimony of D. Joe Maready and Brent Sires. Maready testified as to various under-recoveries experienced by SCE&G in its recovery of gas costs through the PGA. He also reviewed the collection of the Environmental Clean-Up Costs. In his testimony, Maready explained his review of SCE&G's collection of settlement and insurance proceeds utilized to offset the environmental cleanup costs. As well, Maready stated that Staff had appropriately reviewed the expenditures by the Company for the environmental cleanup costs. Sires discussed SCE&G's derivation of base gas cost projections, as well as this Commission's procedures for ongoing review of gas costs. He discussed the impact of the prior under-collection of gas costs and the impact of the ECC recovery.

FINDINGS AND CONCLUSIONS

Based on the evidence in the record, the Commission makes the following findings and conclusions:

SCE&G testified that its forecasted cost of gas was based on the latest historic actual period of the 12 months ending August 1998. During this historical actual period, adjustments were made for known and measurable changes, such as changes to rates from SCE&G's intrastate supplier and tariff changes from interstate suppliers to its intrastate supplier that are in effect or scheduled to be in effect during the forecasted period November 1998 through October 1999. The Company made other normalizing adjustments to the historic period in developing the forecasted price of natural gas to its customers. Based on this testimony, the testimony of Staff witnesses Maready and Sires, and the record as a whole, the Commission finds that:

(a) the cost of gas of 48.182 cents per therm is appropriate and should be incorporated in SCE&G's firm tariff rates through October 1999, unless an out-of-period adjustment is found necessary due to changes in the Company's gas costs; and

(b) the Commission believes that, based on the testimony, the Company should also collect an additional \$.011 per therm in order to recover the ECC as testified to by the Company witnesses. The Commission also believes that a yearly review as is provided by passing this cost through the PGA is helpful and is in the public interest;

IT IS THEREFORE ORDERED THAT:

1. The Purchased Gas Adjustment of South Carolina Electric and Gas Company is hereby approved.

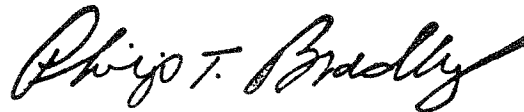
2. The gas cost of 48.182 cents per therm shall be effective beginning with the first billing cycle in November 1998.

3. In addition to this figure, the Company will add a factor of \$0.011 per therm in the PGA for environmental clean-up costs. Staff shall review and audit the Company's collection of these additional monies as part of Staff's yearly review of the Company's PGA and Gas Purchasing Policies.

4. The tariffs and rate schedules shall be filed reflecting the findings herein within five (5) days of the receipt of this Order by the Company.

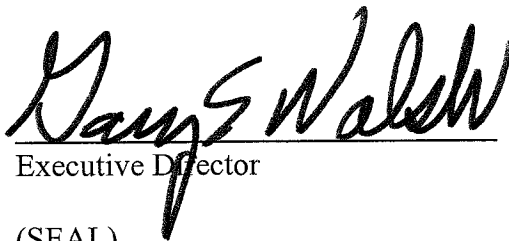
5. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:



Chairman

ATTEST:



Executive Director

(SEAL)